

BOARD FOR LICENSING CONTRACTORS
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www.state.tn.us/commerce/boards/contractors

FREQUENTLY ASKED QUESTIONS

Q. How may I obtain a license application? Do you accept credit cards?

A. You may contact our office at the telephone number above, listen to the menu prompt, and leave your name and address on the recording. Or you may fax or email your request. In addition, the application (and other forms) may be downloaded from our website at:

<http://www.state.tn.us/commerce/boards/contractors/formsandapps.html>

Our office is not set up to accept credit cards for fees. The contractor license application fee is \$150.00 and must be submitted by check or money order with your application.

Q. What information is included in the new license application package?

A. Complete instructions (step by step); a law, rule and regulations book; a "Candidate Information Bulletin" from our exam vendor, which has an outline of the exam, study references and exam registration (dates and locations) information, and the application with the required information. (Abbreviated lists of these steps are listed at the end of these FAQs.) The application may be ordered from the telephone number above or downloaded at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/contLicenseApp.pdf>

Q. What is Tennessee's definition of contracting, as to whom needs a license?

A. Contracting is defined as performs or causes to be performed activities, undertaking to, attempts to, or submits a price or bid or offers to construct, supervise, superintend, oversee, schedule, direct, or in any manner assume charge of the construction, alteration, repair, improvement, movement, demolition, putting up, tearing down, or furnishing labor to install material or equipment for any building, highway, road, railroad, sewer, grading, excavation, pipeline, public utility structure, project development, housing, housing development, improvement, or any other construction undertaking, where the cost is \$25,000 or more.

- \$25,000 or more for any project contracted directly to the owner (prime contractor)
- Subcontractors who perform \$25,000 or more in electrical, mechanical, plumbing and HVAC projects;
- Construction Management of any kind, where the value of the project exceeds \$25,000

Q. Is a license required before bidding? How long does it take to get a license?

A. Yes, a license is required prior to bidding for projects exceeding \$25,000. It takes approximately six (6) weeks for the licensing process. The Board meets every other month (January, March, May, July, September and November). Every contractor must appear for a personal interview with the Board. The application deadline date is the 20th day of the month prior to the meeting. For example, deadline date for the July meeting would be June 20th.

Q. Are there specific bidding requirements?

A. Yes. Bidding requirements are defined in TCA 62-6-119, which states the contractor must list their name as licensed, license ID#, classification, expiration date, and list the same information for their electrical, plumbing, mechanical or HVAC subcontractors, if those portions exceed \$25,000.

Q. May the person taking the exam (qualifying agent) be listed/designated on more than one license?

A. No, unless they are an owner. The qualifying agent must be an owner or full time employee.

Q. How do I know which classification to request on my license?

A. There is an outline of classifications listed in the instructions of the application, an outline of exams in the "Candidate Information Bulletin" for tested classifications, and in our rules and regulations (section 0680-1-.16). At the following link, an abbreviated list is available:

<http://www.state.tn.us/commerce/boards/contractors/pdf/contLicClassOutline.pdf>

For example, to build houses, a residential building license is required and the residential building exam (BC-A) would be needed. Areas which do not have testing usually fall within a specialty area, and may be identified on your license as, for example: S-Telecommunications.

Q. May a homeowner build their own house without a license?

A. Yes. A homeowner is allowed one permit every two years. If a homeowner hires a contractor, the contractor is required to be licensed and obtain the permit.

Q. Is it legal for a church to construct their building?

A. No. For safety reasons, the law does not exempt a church (or any other entity open to the public). The law states, any person, firm or church would be required to hire a licensed contractor, with the appropriate license classification and monetary limit, in order to construct a building in excess of \$25,000, because it is open to the public. A commercial (BC-B) classification would be required.

(Individual use would allow the members of a church would be allowed to build a residence for the preacher or a storage building).

Building for individual use is considered not open to the public, for sale, lease or rent (such as a personal residence, storage or farm building). Individual use allows the owner to construct on their own property themselves these type of structures. (Please see T.C.A. 62-6-103 and Rule 0680-1-.22). Further, if the owner hires a contractor to construct a building for their individual use, then the contractor is not exempt, and must be licensed.

Q. If a licensed prime contractor, subcontracts to a licensed electrical contractor, may the electrical subcontractor, subcontract to another electrical contractor who is not licensed?

A. No. All of the electrical subcontractors are required to be licensed, as well as, any subcontractors performing mechanical, plumbing or HVAC projects. In other words, a sub to a sub to a sub, all have to be licensed!

Q. May a contractor bid in another name other than as licensed?

A. No. Bidding in a name, other than as licensed, is considered unlicensed activity. Even if the contractor owns both companies, they must bid in the name as licensed (the licensed legal entity) and then in some cases, they could subcontract to the unlicensed entity.

Q. If I am a corporation in another state, will I need to register in Tennessee?

A. Yes. You would need to contact the Tennessee Secretary of State at (615) 741-2286 or their website at: www.state.tn.us/sos

Q. I am a licensed contractor; why haven't I received a roster?

A. The law was changed in 2001 which no longer requires any of the regulatory boards to print rosters. Due to the expense and lengthy time it takes to print, the roster is usually outdated by the time contractors receive them by mail. In addition, the information can be found on the internet by clicking onto the license roster search for "Contractor" or "Home Improvement" or "Limited Licensed Electrician" at:

<http://www.state.tn.us/cgi-bin/commerce/roster3.pl>

(At a cost of \$50.00, the Department will accept requests to generate computer print-outs, specialized reports, etc., listings of licensed contractors. Detailed requests of the format needed must be submitted in writing with \$50.00. These requests may take up to six (6) weeks.)

Q. May a contractor bid while in the process of obtaining a contractor's license, or wait to see if they are awarded the bid, and then apply for a license?

A. No. You must hold a license **BEFORE** you offer a price, negotiate, contract, bid, etc. In fact, you must list all the licensing information on the outside of the bid envelope or the bid will be rejected. Bidding without a license is a class A misdemeanor, subjects the violator to fines, and prohibits the contractor from participating on the project (removed). In addition, If the contractor applies for a license after committing a violation, their license is held for six (6) months.

Q. What if I have a chance to bid a job but my limit is not enough and the Board does not meet again for another month. Can I get a special review?

A. Possibly. It requires a special called Board meeting. The law allows the Board to review hardship requests; contractors must complete all application and licensing requirements. Submit your completed application with a hardship request, from the owner of the upcoming project. It must fully describe the hardship and details of the project: name of project, bid date, estimate of project and description of the hardship (why they need you to bid the job, such as, if there are not enough competitive bids; specialized services, whether it affects public safety, etc.)

Q. What is the penalty for bidding without a license?

A. A contractor who contracts or offers to engage without a license or proper classification and monetary limit is in violation of T.C.A. §62-6-120. Therefore, would be ineligible to be awarded the project, would not receive license for six months, cannot participate in any rebidding of the project, and subject to civil penalties. A complete of list of monetary fines are listed in the rules.

Q. Do both contractors have to be licensed in order to joint venture?

A. Yes. Please see Rule 0680-1.11 on Joint Ventures.

Q. Can a contractor bid in excess of their monetary limit?

A. Yes. There is a 10% bid tolerance.

Q. My address recently changed. May I wait until I submit my renewal to change?

A. No. You are required to submit address changes in writing within 30 days. State mail is not forwarded and the renewal form and license would not be delivered to the new address.

Q. Does Tennessee reciprocate with other States?

A. Yes. Currently, we reciprocate with the "Trade" exam, only; the Tennessee "Business and Law" exam must be taken. Tennessee has agreements with the following states: Alabama, Arkansas, Louisiana, Mississippi and South Carolina. Contractors licensed in these states must also complete all of Tennessee's licensing application process, which takes approximately six (6) weeks. Attach a copy of your trade exam score, the license verification form completed by your state and submit with your application.

Q. I have a residential building license and want to get a commercial building license. Do I need to apply for another license?

A. No. Do not apply for another license; apply for a "revision" to your current license. You may apply by completing the appropriate revision forms to: add classifications, increase your monetary limit, change mode of operation (transfer), or change name on a license. You may go to the following link for a list of these different forms:

<http://www.state.tn.us/commerce/boards/contractors/formsandapps.html>

Q. May I transfer my license to another company?

A. No. A license is not transferable to another entity. You would be required to apply for a new license or a second additional license (if you want to keep the other).

Q. I have not received a license renewal form. When are these mailed?

A. Renewal notices are mailed 90 days prior to the license expiration date. If you have not received your renewal, please contact our office at 1-800-544-7693 or you may download a blank renewal form from our website at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/ContRenewalForm.pdf>

A license cannot be renewed if expired 12 months. Renewal and \$200.00 fee is required to be submitted 30 days prior to expiration. Late fees are \$10.00 per month/not to exceed \$100.00.

Q. Is there a grace period to renew your license?

A. No. Once your license expires, you are not legal to contract or permit projects. You have renewal rights, up to 12 months, but you cannot contract during the time the license is expired. Expired licenses or those who owe a late fee will show a "Delinquent" status and will not show back on the website as "Active" until the license renewal is issued. After 12 months, you lose renewal rights and must reapply for a license by completing the new license application process (Reinstatement). If the license has been expired over two years, you may be required to retake the trade exam.

Q. Who needs a "Home Improvement" license?

A. Remodeling projects which are from \$3,000 to less than \$25,000, in the following counties in Tennessee: Bradley, Davidson, Hamilton, Johnson, Knox, Robertson, Rutherford and Shelby. Licensed residential contractors are exempt from this license. For an application package, please call 1-800-544-7693 and ask for a "Home Improvement" application package or download from our website at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/homeImproAppl.pdf>

As always, please check with the local codes/permit office for their requirements.

Q. Who needs a “Limited Licensed Electrician” (LLE) license?

A. Electricians performing electrical work in counties where there is not a local licensing agency performing electrical inspections. (Check with your local permit office.) Licensed electrical contractors are exempt. For a LLE application, please call 1-800-544-7693 or download from our website at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/LLEApplication.pdf>

Q. Board and Commission complaints:

A. Upon receipt of a complaint, our staff and legal department evaluate whether the Board has jurisdiction to take action against the contractor. The Board and the Home Improvement Commission address regulatory and licensing violation complaints submitted to them anonymously by our attorney, who makes recommendations to assess civil penalties, fines, or take formal action to suspend or revoke the license.

Consumer residential complaints are referred to the Division of Consumer Affairs to offer mediation through the CHAMP (Consumer Homeowner Accountability and Mediation Program). A complaint form may be downloaded from our website at:

http://www.state.tn.us/commerce/boards/contractors/pdf/ComplaintForm1123_2004.pdf

Contractors failing to respond to a complaint are listed on the “Problem Contractor” list.

Q. Are there new requirements to be licensed as a Home Inspector?

A. Yes. In fact, effective January 1, 2007, Home Inspector will be required to be licensed through a new Board. You may contact Ms. Carol Kennedy at (615) 741-3611. License contractors will be considered licensed to perform inspections.

Q. Are there local requirements in addition to state licensing?

A. Yes. Every jurisdiction has certain requirements (permits, fees, etc.). Please contact the local codes/permit office in the city or county you plan to work.

FAQ's - Financial Statements

Q. What type of financial statement must be submitted to obtain a license?

A. Must be prepared by a licensed CPA/PA. A “Reviewed” financial statement is required for limits of \$1,500,000 and less; an “Audited” is required for limits exceeding \$1,500,000. Statement must be in the name to be licensed.

Q. How is the monetary limit determined?

A. It is based upon the contractor's experience. In addition, the contractor must show enough working capital and net worth. A contractor approved for a limit of \$100,000 must show at least \$10,000 in working capital and net worth.

Q. Instead of paying a CPA to prepare my financial statement, can I supply a "Line of Credit" or a "Bond"?

A. No, a Line of Credit or Bond cannot be submitted in lieu of a reviewed or audited financial statement since it is required by law.

Q. Can our in-house CPA prepare our reviewed or audited financial statement?

A. No, they must be an independently licensed CPA.

Q. I have just completed my taxes. Can I submit the tax form I completed for the IRS?

No. Review or Audit, on GAAP basis, prepared by a licensed CPA/PA.

Q. This is a new start up company and I do not have an operating statement. May I submit a cash only statement?

A. Contractors who do not have an operating statement are required to submit their personal financial statements with a Guaranty Agreement (form in the application). All names listed on the financial statement, such as a spouse, must sign the Guaranty.

For additional information regarding financial statement and licensing requirements, please refer to the application instructions.

Abbreviated Licensing Steps

HOW TO BECOME A LICENSED CONTRACTOR (detailed steps are located in the application which is on our website at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/contLicenseApp.pdf>

In order to become a licensed contractor, you must complete the Board's application, which entails the following:

- Register and pass the "Business and Law" examination and any applicable trade examination by registration with Experior call them direct at 800-805-9120 or visit their website at www.experioronline.com.
- Financial statement prepared by a licensed Certified Public Accountant (CPA or PA). A "Review" is required for limits of \$1,500,000 or less; an Audit is required for limits exceeding \$1,500,000. (Revised July, 2004)
- Reference letter from a past client, former employer, or a codes official.
- Corporations must provide a Charter or Certificate of Authority; Limited Liability Companies (LLC) must provide their Articles of Organization. Both must show proof of registration with the Tennessee Secretary of State who may be contacted at (615) 741-2286 or www.state.tn.us/sos/forms/corp-fillin.pdf
- Interview with the Board is required; meetings during the months of January (Nashville), March (Nashville), May (Memphis), July (Nashville), September (Knoxville) and in November (Nashville). Upon receipt of your completed application and passage of exams, you will be sent an admission notice with the time, date and location. Qualifying Agents (person who passed exam, who must be an owner or full time employee and knowledgeable of the daily operations) are required to appear for the interview. Licenses are only issued at Board meetings.
- Reciprocity is with the trade exam, only. Agreements exist with some of the licensing boards in Alabama, Louisiana, Mississippi, South Carolina and Arkansas (not all agencies within these states reciprocate! See application.)

If you have a question, please contact us in writing by fax at (615) 532-2868 or by email: ["Contractor's Board"](mailto:info@contractorsboard.com) and we will be happy to get an answer in writing, as quickly as possible. Note: Some questions may require a legal interpretation and these may take longer to respond.

Note: It is best to always get your answer in writing, especially due to technical, legal and confusing areas of the construction industry, to avoid liability.